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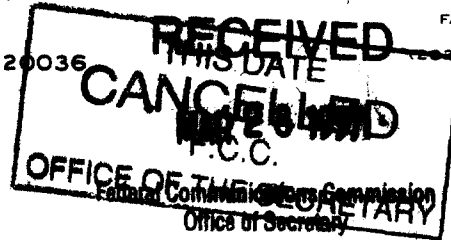
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March 31, 1997

AILEEN A. PISCIOTTA

DIRECT LINE (202) 955-9771

via Hand Delivery

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Room 222  
Washington, D.C. 20554

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MAR 31 1997

Federal Communications Commission  
Office of Secretary

Re: Notice of Proposed Rulemaking, IB Docket No. 96-261

Dear Mr. Caton:

As a courtesy to the Department of Telecommunications, Government of India, we have enclosed five copies of its Reply in the above-referenced docket. The copy marked "original" is a facsimile; the original document is being sent directly to the Commission.

Sincerely,

Aileen A. Pisciotto

Enclosure

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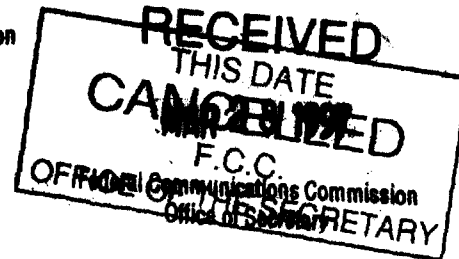
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Federal Communications Commission  
Office of Secretary



REPLY COMMENT

BEFORE THE FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D. C. 20554

In the matter of :

International Settlement Rates    IB Docket No. 96-261

REPLY COMMENTS OF GOVERNMENT OF INDIA ON FCC'S  
NOTICE OF PROPOSED RULE MAKING (NPRM)

1. INTRODUCTION:

Government of India is submitting the comments on the Federal Communications Commission (FCC)'s Notice of Proposed Rule Making (NPRM) concerning international settlement rates. VSNL is the international carrier authorised by Government of India to interconnect Indian domestic telephone network with international carriers. Department of Telecom operates the domestic telephone network in India. The interests of India are, therefore, vitally affected by the NPRM.

2. FCC'S JURISDICTION:

- 2.1 India submits that FCC does not have jurisdiction to impose changes in settlement rates unilaterally. Under the provisions of International Telecommunication Union (ITU), the principles of accounting rates are decided in multilateral forum and the settlement rates are negotiated bilaterally within their framework.
- 2.2 India submits that FCC's jurisdiction over foreign or international communication is limited to the U.S. side of the service and in keeping with the principle of comity of nations and international regulation, FCC does not have the authority to prescribe international settlement rates. It cannot assume such plenary jurisdiction over the matters which are within the jurisdiction of foreign administrations.
- 2.3 The current settlement rate system was designed under the aegis of the ITU, to which U.S. is a party and any reform of the system should be addressed in the same manner.

3. ON TRAFFIC IMBALANCE/OUT-PAYMENTS:

- 3.1 India believes that the high out-going traffic from US is primarily the creation of US carriers which have been actively supporting call back, refiling and home country direct services. It results in snatching the legitimate traffic from other carriers and deprives them of rightful collections.
- 3.2 It is incorrect to suggest that U.S. settlement deficit results from the accounting rate not being related to cost. The real reason is the traffic imbalance as aforesaid. There is no casual connection between accounting rates and traffic imbalance.
- 3.3 As the Govt. of India has declared call back illegal and refiling of traffic is against the spirit of international agreements, effective measures should have been taken by FCC to prevent US carriers from resorting to such practices. This would also contribute to reduction of traffic imbalance.

4. METHODOLOGY FOR SETTING BENCHMARK:

- 4.1 The methodology for setting the benchmarks does not take into account the ground realities prevailing in India. For years we cannot do without subsidising rural and local network and financing telecom infrastructure from the revenues of long distance telephone services - both domestic and international.
- 4.2 The costing based on Tariffed Component Prices distorts the results for India. The rural and local telecom are subsidised and their published prices are far below the cost.

5. TRANSITION PERIOD FOR COMPLYING WITH THE BENCHMARKS:

India submits that adjustment of settlement rates and rebalancing of tariff in developing countries need longer transition period owing to their national objectives and related social obligations.

6. UNEQUAL DISTRIBUTION OF ACCOUNTING RATES:

ITU also suggests that accounting rate may be split unequally (other than 50:50) since the cost of termination of calls is higher in developing countries as compared to developed countries.

7. CONCLUSION:

India submits that unilateral action by any Nation can hardly further the cause of either international comity or mutual development of the industry. While the existing process of negotiating international accounting rates may fall short of the expectations of FCC, it has been functioning smoothly under the aegis of the ITU, to which almost all countries are signatories. India believes that an appropriate way forward would be to review accounting rates through the ITU and to determine whether the extant system may be replaced by an alternative which takes into account the aspirations and constraints of member countries and reflects different kinds of cost of disparate telecom networks world wide. India would be happy to participate in, and contribute to, any appropriately constituted multilateral effort to address the issues raised by the Commission in the Notice. The matter could be discussed bilaterally.

for  
*Arun Kumar*  
27/3/97

Place : New Delhi  
Dated : March 27th, 1997.

DEPARTMENT OF TELECOMMUNICATIONS  
GOVERNMENT OF INDIA.